

Message Text

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ACTION EUR-12

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CIAE-00 COME-00 EB-07 FRB-03 INR-07 NSAE-00 CIEP-01
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TAGS: EEC, EIND, ETRD, JA, OECD
SUBJECT: EC CONSIDERATION OF MEASURES TO AID SHIPBUILDING INDUSTRY

REF: (A) EC BRUSSELS 12429, (B) TOKYO 18790

1. EC COMMISSION OFFICIAL RESPONSIBLE FOR SHIPBUILDING, CONSTANTINO FRIZ, TOLD MISSION THAT COMMISSION WAS LOOKING AT A RANGE OF MEASURES TO AID COMMUNITY SHIPBUILDERS DURING THE RECESSION. THIS ACTION IS A REACTION TO THE INADEQUATE RESPONSE THE JAPANESE GOVERNMENT MADE IN THE OECD TO EC DEMANDS FOR A WORLDWIDE MARKET SHARING OF SHIP CONSTRUCTION CONTRACTS (REFTELS).

2. FRIZ SAID THE COMMISSION WAS LOOKING AT FOUR DIFFERENT TYPES OF POSSIBLE ASSISTANCE. THESE WERE CREDITS, DIRECT SUBSIDIES TO EC SHIPOWNERS OR SHIPBUILDERS, CHANGES IN MARITIME POLICY RE FLAGS OF CONVENIENCE AND PORT RIGHTS AND LASTLY, RETALIATION AGAINST OTHER JAPANESE PRODUCTS SUCH AS SHOES.
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3. FRIZ SAID THE COMMISSION WAS MOST INTERESTED IN THE FIRST TWO CATEGORIES AND THAT THE LAST (TRADE RETALIATION) WAS MOST UNLIKELY, AND HE SAID THE COMMISSION HAD NO INTENTION OF FORCING PEOPLE TO BUY FROM EC SHIPYARDS. HE REALIZED THAT THERE WAS A DANGER OF DOING HARM TO THE NOTION OF FREE TRADE AND ADMITTED IT WOULD BE MOST DIFFICULT TO WITHDRAW THESE AIDS ONCE THEY ARE

GIVEN.

4 FRIZ SAID, HOWEVER, HE WAS ABSOLUTELY CERTAIN THAT IF THE EC DID NOT SOON, EITHER OBTAIN SATISFACTION FROM THE JAPANESE, OR AGREE ON ASSISTANCE MEASURES, THAT MEMBER STATES WOULD DO SO INDIVIDUALLY WITH EACH TRYING TO LEAPFROG THE ASSISTANCE EFFORTS OF THE OTHER.

5. FRIZ ALSO ARGUED THA THE SITUATION WAS TRULY DISASTROUS AND THAT THE JAPANESE HAD FAILED TO GIVE ANY SATISFACTION OR EVEN INDICATE THAT THEY FULLY GRASPED THE SCOPE OF THE EC PROBLEM. THE EC PROBLEM HAS BEEN AGGRAVATED BY THE FACT THAT SHIP-BUILDING IN THE EC IS A RELATIVELY SOPHISTICATED INDUSTRY WHICH HAS STRONG LINKS TO OTHER VITAL INDUSTRIES LIKE ELECTRONICS, AND MOST OF THE HARDEST HIT AREAS HAVE BEEN THE POORER REGIONS OF THE COMMUNITY, I.E., SOUTHERN ITALY, EASTERN FRANCE, NORTHERN GERMAN⁶, IRELAND AND SCOTLAND. BASICALLY, HE SAID THE COMMUNITY NEEDS TO KEEP THE STRONGER COMPANIES AFLOAT WHILE ALLOWING FOR A GRADUAL DISAPPERANCE OF THE WEAK. WHILE THE EC WAS REDUCING ITS SHIPBUILDING CAPACITY DURING THE LAST FIVE YEARS (97 SHIPYARDS CLOSED) JAPANESE CAPACITY HAS BEEN INCREASING.

6. FRIZ SAID THAT THE COMMISSION HAD NOT YET REACHED A CONSENSUS ON MEASURES NEEDED BUT WAS SCHEDULED TO MEET ON FEB 3 AND AGAIN ON FEB 17 AFTER IT CAN ASSESS THE JAPANESE RESPONSE AT THE OECD MEETING ON SHIPBUILDING SCHEDULED FOR FEB 7-9. FRIZ THOUGHT THAT THE JAPANESE HAD AN OPPORTUNITY TO QUIET TORUBLED WATERS BY GIVING SOME ASSURANCE THAT SHIPBUILDERS WOULD CUT WHAT THE EC REGARDS AS AN ARTIFICIALLY LARGE PRICE ADVANTAGE. HE SAID IT WOULD LIMITED OFFICIAL USE

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PROBABLY LOOK GOOD AND COST THEM LITTLE TO MOVE FROM A 30 PERCENT DIFFERENTIAL TO ABOUT FIVE OR TEN PERCENT SINCE HIGHER REVENUES WOULD MAKE UP FOR ANY LOSS OF BUSINESS AND TRADITIONAL BUYER/ GUILDER ATTACHMENTS WOULD LIMIT LOSS OF BUSINESS IN ANY CASE. HINTON

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